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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

dated as of June 2, 1975

between

PROVIDENT NATIONAL BANK

as Trustee,

Lessor

and

PENNSYLVANIA POWER & LIGHT COMPANY,

Lessee

153 One Hundred-Ton Steel Triple Hopper

Coal Cars

Filed and recorded with the Interstate Commerce
Commission pursuant to Section 20c of the Interstate Commerce
Act on July 7, 1975, at 1:15 PM, Recordation No. 7985-A

LEASE OF RAILROAD EQUIPMENT

CONTENTS

	<u>Page</u>
1. Definitions	1
2. Delivery and Acceptance of Units	3
3. Rentals	4
4. Term of Lease; Return of Units upon Expiration ...	4
5. Identification Marks; Possession; Use	5
6. Taxes	7
7. Casualty Occurrences.....	9
8. Voluntary Termination	10
9. Insurance; Application of Payments	11
10. Annual Reports and Inspection.....	12
11. Disclaimer of Warranties; Compliance With Laws and Rules; Maintenance; Accessions	13
12. Indemnification	14
13. Events of Default	20
14. Remedies	21
15. Recording	24
16. Purchase and Renewal Options	25
17. Merger	26
18. Lessor's Right to Perform	27
19. Notices	27
20. Net, Non-Cancellable Lease	27
21. Successor Lessor	28
22. Miscellaneous	28
23. Execution	29

LEASE OF RAILROAD EQUIPMENT dated as of June 2, 1975, between PROVIDENT NATIONAL BANK, a national banking association, as Trustee ("Lessor") under Equipment Trust Agreement ("Trust Agreement") dated as of the date hereof with United States Trust Company of New York, a New York corporation ("Trustor"), and PENNSYLVANIA POWER & LIGHT COMPANY, a Pennsylvania corporation ("Lessee").

WHEREAS, Lessor, Lessee and Trustor have entered into a Finance Agreement dated as of the date hereof ("Finance Agreement"), to which Jefferson Standard Life Insurance Company and American United Life Insurance Company ("Loan Participants"; together with the Trustor, "Participants") are also parties, to provide for the financing by the Participants of the purchase by the Lessor of the Units (together "Units" or individually "Unit") of railroad equipment described in Annex A hereto pursuant to a Purchase Order Assignment (said Purchase Order Assignment, as consented and agreed to by the Builder referred to below, is hereinafter called the "Assignment") whereby Lessee has assigned its interest in Purchase Order No. 4-10958-1 from Lessee to Bethlehem Steel Corporation ("Builder"), said Purchase Order having been accepted by Builder by letter dated January 25, 1974 (said Purchase Order as so accepted, and as amended, modified or supplemented to the date hereof and as the same may be, as therein provided, amended, modified or supplemented, is herein called the "Purchase Order"); and

WHEREAS, loans made by the Loan Participants in accordance with the Finance Agreement are to be evidenced by Equipment Trust Certificates (herein sometimes collectively referred to as "Certificates") issued under the Trust Agreement, secured by a security interest in said railroad equipment and payable from amounts paid by Lessee hereunder; and

WHEREAS, Lessee desires to lease all the Units delivered and accepted hereunder and settled for under the Finance Agreement at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by Lessee, Lessor hereby leases the Units to Lessee upon the following terms and conditions, subject to all the rights and remedies of Lessor and the Participants hereunder:

1. Definitions. The following terms shall have the following meanings for all purposes of this Lease:

"Adjusted Purchase Price" of any Unit shall mean the sum of the Purchase Price and the Final Payment in respect of such Unit.

"Agreements" shall mean this Lease, the Finance Agreement, the Purchase Order, the Assignment and the Certificate of Delivery.

"Basic Rent" for any Unit shall mean the aggregate rent payable through the Term for such Unit pursuant to Section 3(a).

"Casualty Occurrence" shall mean any of the following with respect to a Unit: a Unit shall be or become worn out, lost, stolen, destroyed or, in the reasonable opinion of Lessor, irreparably damaged, from any cause whatsoever, or taken, requisitioned by condemnation or otherwise permanently appropriated to the public use by any duly authorized governmental authority including, without limitation, subsection to mandatory allocation pursuant to 49 U.S.C. Sections 1(12), (15).

"Casualty Value" for a Unit as of any Rental Payment Date shall equal the product of the Adjusted Purchase Price of such Unit and the percentage specified in Schedule I hereto opposite such Rental Payment Date. Anything herein to the contrary notwithstanding, Casualty Value for any Unit shall be no less at the time of calculation than a pro rata (determined on the basis of the aggregate Adjusted Purchase Price of the Units with respect to which the calculation is being made and all other Units then subject to this Lease) portion of the outstanding principal amount of, and accrued interest on, the Equipment Trust Certificates.

"Certificate of Cost" shall mean and include the certificates setting forth the Purchase Price of and Final Payment for the Units, executed by an officer of Lessee, to be delivered by Lessee to Lessor pursuant to Section 4.02 of the Trust Agreement.

"Certificate of Delivery" shall mean the certificate of acceptance and delivery referred to in Section 2.

"Closing Date" shall have the meaning specified in Section 2(a) of the Finance Agreement.

"Equipment Trust Certificates" shall have the meaning specified in Section 1.01 of the Trust Agreement.

"Event of Default" shall mean any of the events specified in Section 13.

"Final Payment" for any Unit shall mean the final portion of the unit base price as may be invoiced by the Builder and approved by Lessee as set forth in the supplementary Certificate of Cost.

"Purchase Price" of any Unit shall mean the purchase price set forth in Annex A hereto.

"Rent" shall mean Basic Rent and Supplemental Rent.

"Rental Payment Date" shall mean any date specified in Section 3(a) for payment of Basic Rent.

"Supplemental Rent" shall mean all amounts, liabilities and obligations which Lessee assumes or agrees to pay hereunder to Lessor or others, including, but without limitation, Casualty Value and Termination Value payments but excluding Basic Rent.

"Termination Value" for a Unit as of any Rental Payment Date shall equal the product of the Adjusted Purchase Price of such Unit and the percentage specified in Schedule II hereto opposite such Rental Payment Date. Anything herein to the contrary notwithstanding, Termination Value for any Unit shall be no less at the time of calculation than a pro rata (determined on the basis of the aggregate Adjusted Purchase Price of the Units with respect to which the calculation is being made and all other Units then subject to this Lease) portion of the outstanding principal amount of, and accrued interest on, the Equipment Trust Certificates.

"Term" shall mean the period of time specified in Section 4(a).

"Trust Estate" shall have the meaning specified in Section 1.01 of the Trust Agreement.

2. Delivery and Acceptance of Units. Lessor hereby agrees to lease to Lessee hereunder, and Lessee hereby agrees to lease from Lessor hereunder, each Unit delivered to Lessee by Builder hereunder. Lessor and Lessee understand that Builder will deliver the Units to Lessee at Johnstown, Pennsylvania. Such delivery shall be deemed to be delivery of the Units by Lessor to Lessee hereunder. Upon such delivery, Lessee

will cause an inspector or inspectors of Lessee to inspect the same, and if such Units are found to be acceptable, to accept delivery of such Units and execute and deliver to Lessor a Certificate of Delivery (in substantially the form attached hereto as Annex B), stating that such Units have been inspected and accepted on behalf of Lessee on the date of such certificate and are marked in accordance with Section 5, whereupon such Units shall be deemed to have been delivered to and accepted by Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

3. Rentals. (a) Basic Rent. Lessee agrees to pay to Lessor as Basic Rent for each Unit subject to this Lease, forty (40) consecutive semi-annual payments, commencing on the first semi-annual anniversary of the Closing Date (or if such date is not a business day on the next succeeding business day), each such payment to be in an amount equal to 5.0092% of the Adjusted Purchase Price of such Unit.

(b) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Basic Rent. Lessee will also pay to Lessor, not later than ten (10) days after demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the rate of 10 7/8% per annum (computed on the basis of a 360-day year of twelve 30-day months) on any part of any installment of Basic Rent, and any payment of Casualty Value or Termination Value, not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid within ten (10) days after demand by Lessor for the period from the date of demand until the same shall be paid.

4. Term of Lease; Return of Units upon Expiration.

(a) Term. The term of this Lease as to the Units shall begin on the Closing Date and, subject to the provisions of Sections 7, 8 and 16, shall terminate on the date on which the fortieth (40th) semi-annual payment of Basic Rent is due pursuant to Section 3.

(b) Return of Units Upon Expiration. Within thirty (30) days after the expiration of the Term with respect to the Units, Lessee will, subject to Section 16, at its own cost and expense, at the request of Lessor, deliver possession

of the Units, free and clear of all liens and rights of others (except the rights of Lessor and the Participants) and in the condition and state of repair required to be maintained under Section 11(c), to Lessor upon such storage tracks as Lessee may designate, or, in the absence of such designation, as Lessor may select, and secure for Lessor storage rights for the Units on such tracks for a period not exceeding two (2) months and Lessee will transport the same, at any time within such two month period, to the nearest carrier for shipment, all as directed by Lessor, such movement to the nearest carrier and storage of the Units to be at the expense and risk of Lessee. During any such storage period Lessee will permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that Lessee shall not be liable, except in the case of negligence or intentional acts of Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to deliver, store and transport the Units.

5. Identification Marks; Possession; Use.

(a) Identification Marks. Lessee will, at its own cost and expense, cause each Unit to be kept numbered with the identifying number set forth in Annex A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one (1) inch in height, the name of Lessor followed by the legend "Trustee, Owner-Lessor", with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's title to and property in such Unit and the rights of Lessor under this Lease. Lessee will not place any Unit in operation or exercise any control or dominion over the same until such name and words shall have been so marked on both sides thereof and will replace promptly any such name and words which may be removed, eroded, defaced or destroyed. Lessee will not change the identifying number of any Unit except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with Lessor

and filed, recorded and deposited by Lessee in all public offices where this Lease shall have been filed, recorded and deposited. Except as provided above in this paragraph, Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may allow the Units to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

(b) Possession; Use. Subject to Section 14, Lessee shall be entitled to the possession, use and quiet enjoyment of the Units in accordance with the terms of this Lease. Lessee intends to operate all of the Units in its service. Without the prior written consent of Lessor, which shall not be unreasonably withheld, Lessee shall not sublease the Units nor assign or transfer its leasehold interest under this Lease in the Units or any of them. Any such permitted assignment or transfer shall not relieve Lessee of its obligations hereunder and Lessee shall remain primarily liable hereunder. Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance resulting from claims against Lessor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of Lessor or Lessee therein, and will promptly discharge any such lien, claim, security interest or encumbrance which arises. Lessee shall not, without the prior written consent of Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding sentence and except to the extent that temporary release of possession and control may be necessary for effecting maintenance and repairs to the Units. Subject to Section 14, Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad over which Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other railroads in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease, and Lessee may receive and retain compensation for such use from railroads so using any of the Units;

provided, however, that Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

6. Fees and Taxes. (a) Indemnity. Lessee shall pay promptly when due, and agrees to indemnify (as hereinafter in this Section prescribed) and hold Lessor, the Trust Estate and the Trustor harmless from, all titling, filing, recordation and other fees (including, but without limiting the generality thereof, any such fees required to effect compliance with any provisions of the Interstate Commerce Act or any rules and regulations thereunder), taxes (including, but without limiting the generality thereof, sales, use, excise, personal property, franchise or other taxes (whether or not such taxes may be measured by or assessed upon any rentals, receipt, or earnings of Lessor, the Trust Estate or the Trustor arising from amounts payable hereunder)), levies, imposts, duties, assessments and all other charges or withholdings of any nature (together with any penalties, fines or interest thereon), arising at any time prior to or during the Term of this Lease or any renewal or extension thereof, or upon the return of the Units to Lessor, upon or relating to the Units or this Lease, the Finance Agreement, the Trust Agreement, the Assignment, any Certificate or the interest of the Trustor in the Trust Estate, or with respect to the ordering, manufacture, purchase, financing, acceptance, non-acceptance, rejection, condition, ownership, use, operation, leasing, delivery, possession, storage, sale, transporting, return or other disposition of the Units, whether the same be assessed to Lessor, Lessee, the Trust Estate, any Unit or part thereof, or the Trustor by any federal, state or local government or taxing authority in the United States or by any foreign government or any subdivision thereof, excluding, however, (i) federal taxes on, or measured by, the net income of the Trustor (or Lessor (as distinguished from the Trust Estate) to the extent that imposition of such taxes on Lessor results in a reduction of the Trustor's liability therefor) and (ii) taxes, fees or other charges of any other jurisdiction which are based on, or measured by, the net income of the Trustor (or Lessor (as distinguished from the Trust Estate) to the extent that imposition of such taxes, fees or charges on Lessor results in a reduction of the Trustor's liability therefor) and are (A) imposed by the jurisdiction in which the principal office of the Trustor (or Lessor) is located or (B) imposed by any other jurisdiction in which the Trustor (or Lessor) is subject to taxes, fees or other charges as the result solely of business or transactions unrelated to this lease or as the result of this Lease, payments hereunder

or related business or transactions to the extent such taxes, fees or other charges result in a reduction of the Trustor's liability for taxes, fees or charges imposed by the jurisdiction in which the principal office of the Trustor (or Lessor) is located, provided, however, that Lessee agrees to pay any such taxes on or measured by rents payable hereunder or the net income therefrom which are in substitution for or relieve Lessee from any tax which Lessee would otherwise be obligated to pay under the terms of this Section.

(b) Procedure. In the event that any fee, tax or assessment is, by law, required to be assessed or billed to, or paid by, Lessor, the Trust Estate, any Unit or part thereof or the Trustor, Lessee at its own expense will, upon the receipt of written notice, do any and all things required to be done by Lessor or Trustor in connection with the levy, assessment, billing or payment of such charge and is hereby authorized by Lessor to act for and on behalf of Lessor, the Trust Estate and the Trustor in any and all respects, including (but not limited to) the contest or protest, in good faith, of the validity of any such levy or assessment, or the amount thereof, so long as such contest or protest does not involve any danger of the sale, forfeiture, or loss of any Unit or any part thereof or interest therein. Lessee will cause all billings of such charges to Lessor, the Trust Estate or the Trustor to be made to Lessor, the Trust Estate or the Trustor in care of Lessee and will, in preparing any report or return required by law, show the ownership of the Units in Lessor, and shall make such report or return in such manner as shall be satisfactory to Lessor and promptly thereafter send a copy of any such report or return to Lessor or Trustor. If Lessee fails to pay any such charges when due, Lessor at its option may do so, in which event the sums so paid (including any penalties, fines or interest incurred as a result of Lessee's failure) plus interest thereon at the rate of 10 7/8% per annum shall be deemed to be Supplemental Rent, and shall be paid by Lessee to Lessor on the next Rental Payment Date.

(c) Payment, Survival, Benefit. All amounts payable by Lessee pursuant to this Section shall be payable, to the extent not theretofore paid, on written demand by the party entitled to indemnification. The obligations of Lessee under this Section shall survive the expiration or other termination of this Lease, so long as such obligations shall have arisen out of or in connection with events or circumstances occurring during the Term or any renewal thereof. All the indemnities contained in this Section are expressly made for the benefit of, and shall be enforceable by, Lessor, the Trust

Estate and the Trustor.

(d) After-Tax Basis. The indemnities payable under this Section shall be computed on an "after-tax" basis so that any such indemnity shall be in an amount which, when reduced by the increase in the income tax liability or liabilities of the indemnified party as a result of the payment by such indemnified party of such indemnity shall equal the amount of the fee, tax, levy, impost, duty, assessment, charge, withholding, penalty or fine in respect of which such indemnity shall be payable.

7. Casualty Occurrences. (a) Payment or Substitution. Upon the happening of a Casualty Occurrence with respect to any Unit, Lessee shall elect one of the following alternatives:

(i) Lessee shall, on a Rental Payment Date within two hundred forty (240) days after the Casualty Occurrence, pay to Lessor an amount equal to the sum of (x) all Rent with respect to such Unit due and unpaid on or prior to such Rental Payment Date, including the payment of Basic Rent due on such Rental Payment Date, and (y) the Casualty Value for such Unit computed as of such Rental Payment Date; in the event of payment in full of such Rent and Casualty Value, the obligation of Lessee to pay Basic Rent hereunder with respect to such Unit on any Rental Payment Date after such Rent and Casualty Value payment shall have been made shall terminate, and Lessor will transfer to Lessee, without warranty (except as to Lessor's own acts), all Lessor's right, title and interest, if any, in and to such Unit; or

(ii) Lessee shall, prior to expiration of the Term, duly convey to Lessor as replacement for such Unit title to another Unit of the same type and quality, free and clear of all liens, encumbrances or rights of others whatsoever and having a value and utility at least equal to, and being in as good operating condition as, the Unit with respect to which such Casualty Occurrence happened was required to be by the terms of this Lease immediately prior to the happening of such Casualty Occurrence; and, upon such conveyance, Lessee, at its own expense, will promptly (1) furnish Lessor with full warranty bills of sale, in form and substance satisfactory to Lessor, with respect to such replacement unit, (2) execute a Certificate of Delivery with respect to such replacement unit, in form satisfactory to Lessor, and deliver the same to Lessor, (3) furnish Lessor with such evidence of title to such replacement unit (including, if requested, an opinion

of Lessee's counsel) and of the condition of such replacement unit as Lessor may reasonably request, (4) furnish Lessor with an opinion of Lessee's counsel that such action has been taken with respect to the registration, deposit, recording and filing, including, but without limitation, filing and recording with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, of all such documents as are necessary or advisable to establish and perfect Lessor's title to and interest in such replacement unit and reciting the details of such action, if not previously set forth, or stating that no such action is necessary for such purposes, (5) furnish Lessor with evidence of the registration, deposit, recording and filing (if any) specified in the opinion of Lessee's counsel furnished Lessor pursuant to the preceding clause (4) and (6) take such other action as Lessor may reasonably request in order that such replacement unit be duly and properly titled in Lessor and leased hereunder to the same extent as the Unit replaced thereby. Upon full compliance by Lessee with the terms of this subparagraph (ii), Lessor will execute and deliver the Certificate of Delivery with respect to such replacement unit and transfer to Lessee, without warranty (except as to Lessor's own acts), all Lessor's right, title and interest, if any, in and to the Unit with respect to which such Casualty Occurrence happened. Thenceforth for all purposes of this Lease, each such replacement unit shall be deemed a Unit as defined herein.

(b) Notice. Lessee shall promptly and fully inform Lessor of any Casualty Occurrence, as well as of Lessee's election pursuant to the preceding paragraph (a), and if alternative (ii) above is elected by Lessee, Lessee shall undertake its performance within one hundred twenty (120) days after the Casualty Occurrence.

(c) No Release; Basic Rent to Continue. Except as hereinabove in this Section provided, Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by Lessee hereunder. Until Lessee shall have fully performed its obligations under either subparagraph (i) or (ii) of paragraph (a) hereof, it shall continue to pay Basic Rent as provided in Section 3 with respect to the Unit involved in the Casualty Occurrence.

8. Voluntary Termination. (a) Right of Termination. Unless an Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) shall have occurred and be continuing, Lessee shall have the right at its option at any time on or after the twentieth (20th) Rental

Payment Date, but not before, on at least sixty (60) days' prior written notice to Lessor, to terminate this Lease if all Units then subject to this Lease shall have become obsolete or surplus to Lessee's needs, such termination to be effective on the date (which shall be a Rental Payment Date and is hereinafter in this Section called the "Termination Date") specified in such notice. During the period from the giving of such notice until the Termination Date, Lessee, as agent for Lessor, shall use its best efforts to, and the Trustor may, obtain bids for the purchase of the Units. Lessee shall, and the Trustor may, certify to Lessor in writing the amount of each bid received and the name and address of the party (who shall not be Lessee or any person, firm or corporation affiliated with Lessee) submitting such bid. On the Termination Date, Lessor shall, without warranty (except as to Lessor's own acts), sell the Units for cash to whomsoever shall have submitted the highest bid prior to such date, and thereupon Lessee shall deliver the Units to Lessor in accordance with the terms of Sections 4(b) and 11. If no sale of the Units takes place on the Termination Date, Lessee shall not deliver the Units to Lessor and this Lease shall continue in full force and effect as to all Units.

(b) Termination Procedure. The total sale price realized at such sale shall be retained by Lessor, and, in addition, on the Termination Date, Lessee shall pay to Lessor the sum of (x) all Rent due on or prior to the Termination Date, including the payment of Basic Rent due on the Termination Date, and (y) the excess, if any, of (i) the Termination Value for the Units computed as of the Termination Date over (ii) the proceeds of such sale less all expenses reasonably incurred by Lessor in connection with such sale or with the collection or distribution of such payment. In the event of such sale and upon compliance by Lessee with the provisions of this Section, the obligation of Lessee to pay all Basic Rent hereunder after the Termination Date shall cease. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with any such sale other than as expressly provided in this Section.

9. Insurance; Application of Payments. (a) Insurance. Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained programs of insurance for Casualty Occurrences in respect of the Units at the time subject hereto and public liability, with insurers of recognized responsibility, or self-insurance or risk assumption, in amounts and against risks customarily insured against by utility companies on similar equipment, all

as Lessee may in good faith reasonably determine from time to time, and in any event in amounts and against risks comparable to those insured against by Lessee on similar equipment owned or leased by it; provided, that such insurance with respect to a Casualty Occurrence of any Unit shall be not less than the Casualty Value of such Unit on the Rental Payment Date next succeeding the date of computation.

(b) Application of Payments. Unless an Event of Default (or other event which after lapse of time or giving of notice, or both, would become an Event of Default) shall have occurred and be continuing, any insurance proceeds or condemnation or other payments received by Lessor in respect of Units suffering a Casualty Occurrence shall be applied as follows:

(a) if Lessee has elected alternative (i) of Section 7(a), such proceeds or payments shall be applied as a deduction from the amounts payable by Lessee to Lessor in respect of such Casualty Occurrence or, if received after Lessee has made such payments, to Lessee in reimbursement thereof; or

(b) if Lessee has elected alternative (ii) of Section 7(a), such proceeds or payments shall be held by Lessor until the action required by Section 7(a)(ii) has been completed and thereupon shall be paid to Lessee, up to an amount equal to the Casualty Value of the Unit suffering such Casualty Occurrence.

Any such proceeds or payments in excess of the Casualty Value of the Unit suffering the Casualty Occurrence shall remain the property of the Lessor.

10. Annual Reports and Inspection. On or before March 31 in each year, commencing March 31, 1976, Lessee will furnish to Lessor, in such number of copies as Lessor reasonably shall request, an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) and such other information regarding the condition and state of repair of the Units as Lessor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by Section 5(a) have been preserved or replaced. Lessor and each Participant shall have the right by its agents to inspect the Units and Lessee's records with

respect thereto at such reasonable times as Lessor or such Participant may request during the continuance of this Lease.

11. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Accessions. (a) Disclaimer of Warranties. Lessee takes the equipment hereunder AS-IS and LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO LESSEE HEREUNDER, AND LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, it being agreed that all such risks, as between Lessor and Lessee, are to be borne by Lessee; Lessor agrees, unless an Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) shall have occurred and be continuing, to assign or otherwise make available to Lessee, at Lessee's expense, such rights as Lessor may have against the Builder pursuant to the Purchase Order and the Assignment and Lessee agrees to settle all such claims directly with the Builder. Lessee's delivery of a Certificate of Delivery shall be conclusive evidence as between Lessee and Lessor that all Units described therein are in all the foregoing respect satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor based on any of the foregoing matters.

(b) Compliance with Rules. Lessee agrees to comply in all respects (including, but without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all rules of the Pennsylvania Public Utility Commission, the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration of any Unit, or in the event that any equipment or appliance or any such Unit shall be required to be changed or replaced, or in the event that any additional or other equipment or appliance is required to be installed on any such Unit in order to comply with such laws or rules, Lessee will make such alterations, changes, replacements and additions at its own expense; provided, however, that Lessee may, in good faith, contest the validity or

application of any of such law or rule in any reasonable manner which does not, in the opinion of Lessor, adversely affect the property or rights of Lessor under this Lease.

(c) Maintenance. Lessee agrees that, at its own cost and expense, it will maintain or cause to be maintained each Unit in good order and repair, ordinary wear and tear excepted.

(d) Accessions. Lessee shall not alter any Unit or change or replace any equipment thereon or make any addition to any Unit except in compliance with Section 11(b) and unless such alteration, change, replacement or addition will not diminish the value or utility of such Unit below the value, utility and condition thereof, immediately prior to such alteration, change, replacement or addition, assuming such Unit was then in the condition required to be maintained by the terms of this Lease. Any and all additions to any Unit, and any and all parts installed on and additions and replacements made to any Unit, shall constitute accessions to such Unit and, at the cost and expense of Lessee, full ownership thereof free from any lien, charge, security interest or encumbrance shall immediately be vested in Lessor.

12. Indemnification. (a) General Indemnity. Lessee agrees to indemnify, protect, save and hold harmless Lessor, the Trust Estate and each Participant from and against all obligations, losses, damages, penalties, injuries, liabilities, actions, suits, costs, claims and demands whatsoever, regardless of the cause thereof, and expenses and disbursements in connection therewith, including but not limited to counsel fees and expenses, patent liabilities, penalties and interest, of whatsoever kind and nature (including claims for strict liability in tort), and expenses incurred by the Trustor pursuant to Section 8.01 and the second sentence of Section 7.09 of the Trust Agreement (for the purpose of this Section collectively called "expenses"), arising out of or as the result of the entering into or the performance of the Agreements or the Trust Agreement, the ownership of any Unit, the ordering, manufacture, acceptance, non-acceptance, financing, acquisition, leasing, use, operation, condition (including, without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee), purchase, delivery, rejection, storage, sale, transporting, return or other disposition of any Unit or any accident in connection with the operation, use, condition, possession, storage, sale, transporting, return or other disposition of any Unit resulting in damage to property or injury or death to any person; except

only that Lessee shall not be required to indemnify Lessor, the Trust Estate or any Participant of their respective successors, assigns, agents and servants for (i) expenses to be borne by the Trustor pursuant to Section 9(b) of the Finance Agreement, (ii) expenses in respect of a Unit arising from acts or events which occur after the Unit is no longer a part of the Trust Estate, (iii) expenses described in Section 12(b) (except to the extent indemnification is provided for in Section 12(b)), (iv) expenses resulting from the willful misconduct or gross negligence of the party otherwise to be indemnified hereunder, (v) expenses in connection with selling, leasing, disposing of or attempting to sell, lease or dispose of, any Unit (other than in the course of exercising remedies provided in Section 14) to any person after the expiration of the Term or of any extended term of this Lease with respect to such Unit, or (vi) expenses resulting from the breach of the warranty of possession, use and quiet enjoyment specified in Section 5(b) by the party otherwise to be indemnified hereunder, (vii) expenses in connection with the sale of the Trustor's interest in the Trust Estate prior to the expiration of the Term or (viii) expenses arising out of actions or inaction in direct contravention of the terms of this Agreement. If either party hereto shall have knowledge of any claim or liability hereby indemnified against, it shall give prompt written notice thereof to the other party but failure to do so will not affect Lessee's obligations hereunder.

The indemnities payable under this paragraph (a) shall be computed on an "after-tax" basis so that any such indemnity shall be in an amount which, when reduced by the increase in the income tax liability or liabilities of the indemnified party as a result of the payment by such indemnified party of such indemnity, shall equal the amount of the obligation, loss, damage, penalty, injury, liability, cost, claim, demand, expense or disbursement in respect of which such indemnity shall be payable.

Lessee's obligations under this paragraph (a) shall be that of primary obligor notwithstanding that the person indemnified shall also be indemnified with respect to the same matter under the Trust Agreement, the Assignment or the Purchase Order by any or all Participants, the Builder or any other person. Upon payment in full of any indemnities contained in this paragraph (a) by Lessee, it shall be subrogated to any rights of the person indemnified in respect of the matter against which indemnity has been given. The indemnities contained in this paragraph (a) shall apply equally to any Unit not yet delivered hereunder.

(b) Indemnity for Failure to Obtain Accelerated Depreciation of Interest Deduction. Lessee acknowledges that Lessor and the Trustor, as the trustor of the grantor trust which is the Lessor, shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (the "Code"), to an owner of property, including (without limitation) an allowance for (a) the maximum depreciation deduction authorized with respect to the Adjusted Purchase Price of the Units under Section 167 of the Code, utilizing the lower limit of the asset depreciation range of twelve (12) years prescribed in accordance with Section 167(m) of the Code, for an asset described in Asset Guideline Class 00.25 as described in Rev. Proc. 72-10, 1972-1 C.B., 721 (the "Depreciation Deduction"); and (b) the deduction in each taxable year of the Trustor for all interest paid or accrued during such year on the indebtedness evidenced by the Certificates, computed in accordance with Section 163 of the Code (the "Interest Deduction"). It is understood and agreed that this Section is for the ultimate benefit of the Trustor, and that Lessor as Trustee under the grantor trust, as well as the Trustor, is vested with the right, power and authority to enforce this Section.

Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. Lessee represents and warrants that at the time Lessor becomes the owner of the Units, the Units will not have been used by any person so as to preclude "the original use" of said Units, within the meaning of Section 167(c) of the Code, from commencing with Lessor. Lessee agrees to keep and make available for inspection and copying by Lessor or the Trustor such records as will enable Lessor or the Trustor to determine whether it is entitled to the full benefit of the Depreciation Deduction with respect to the Units and the Interest Deduction.

If, at any time and for any reason (other than as a result of statutory changes in the Code or any changes in the Regulations under Section 167(m) of the Code or in any class life established thereunder (other than changes prompted by a judicial determination that such regulations or class life are invalid), the acts or failure to act of Lessor and/or the Trustor, or the failure of the Trustor to have sufficient tax liability against which to offset the full amount of such Depreciation Deduction or Interest Deduction), including without limitation the inaccuracy in law or in fact of the representations and warranties set forth in the preceding paragraph or in

the Finance Agreement or any act or omission of Lessee or the inaccuracy of any statement in any letter or document furnished to Lessor by Lessee in connection with the transactions contemplated by this Lease and the Finance Agreement, the Lessor and/or the Trustor shall lose, or shall not have or shall lose the right to claim, or there shall be disallowed all or any portion of (a) the Depreciation Deduction based on one hundred (100) percent of the Adjusted Purchase Price of the Units, using initially the double declining balance method and changing thereafter, when most beneficial to Lessor, to the sum of the years-digits method and being determined without adjustment for salvage value, except that there shall be no indemnification for the inability to depreciate the Units below their estimated salvage value (after taking into account the reduction allowed by Section 167(f) of the Code), and by applying the "half-year convention" as may be elected under any of the applicable provisions of the Code and the Income Tax Regulations, or (b) the Interest Deduction, for any period prior to the termination of this Lease, then, unless Lessee exercises its option as set forth in the immediately succeeding paragraph, Lessee shall pay to the Trustor or Lessor as Supplemental Rent an amount which, after deduction of all taxes required to be paid by the Trustor or Lessor in respect of the receipt thereof under the laws of any Federal, state or local government or taxing authority of the United States of America, in the reasonable opinion of the Trustor and Lessor, and to the reasonable satisfaction of Lessee, will cause the Trustor's net after-tax yield and net after-tax return to be not less than the net after-tax yield and net after-tax return that would have been realized by the Trustor if it had been entitled to the utilization of all of the Depreciation Deduction and/or Interest Deduction which was lost, not available for claim, disallowed or recaptured by or from the Trustor or Lessor, plus such amount as will pay or reimburse the Trustor or Lessor (after deduction of all taxes required to be paid by the Trustor or Lessor in respect of the receipt thereof under the laws of any Federal, state or local government or taxing authority of the United States of America) for any interest and/or penalties incurred in connection with the Depreciation Deduction and/or Interest Deduction which is lost, not available for claim, disallowed or recaptured. In the event Lessee shall have made such a payment to Lessor, the Casualty Value and Termination Value Schedules set forth in Schedules I and II hereto shall be reduced by the amount, if any, included therein which represents reimbursement to the Trustor or Lessor for the portion of such Depreciation Deduction and/or Interest Deduction

so lost or disallowed; provided that neither the Casualty Value nor the Termination Value shall at any time be less than the aggregate principal balance of the then outstanding Certificates.

If such loss, disallowance, recapture or unavailability, as provided in the immediately preceding paragraph, shall have occurred during the Term, then at Lessee's option evidenced by written notice to Lessor, either (i) Lessee shall pay to Lessor, in a lump sum, an amount sufficient to indemnify Lessor against such loss in the amount determined hereinabove; or (ii) Lessor and Lessee shall in good faith attempt to agree upon (x) a mutually satisfactory increase in the Basic Rent to be paid on each then remaining Rental Payment Date hereunder sufficient to indemnify Lessor against such loss in the amount determined hereinabove, and (y) an appropriate adjustment to the Casualty Value and Termination Value Schedules attached as Schedules I and II hereto.

(c) Contest or Disallowance of Tax Benefits.

In the event a claim shall be made by the Internal Revenue Service or any state or local taxing authority which, if successful, would result in a loss of any of the tax benefits referred to in this Section and would require Lessee to indemnify the Trustor or Lessor for such loss, the Trustor or Lessor hereby agrees to take such action, for a reasonable period of time, in connection with contesting such claim as Lessee shall reasonably request in writing from time to time, provided, however, that (i) within thirty (30) days after notice by the Trustor or Lessor to Lessee of such claim, Lessee shall request that such claim be contested; (ii) the Trustor or Lessor, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service or any state or local taxing authority as the case may be, in respect of such claim and may, at its sole option, either pay (in which case the additional Rent prescribed in Section 12(b) shall become immediately due and payable) and/or contest the claim in any permissible forum considering, however, in good faith such request as Lessee shall make concerning the most appropriate forum in which to proceed; (iii) prior to taking such action, Lessee shall have furnished the Trustor or Lessor with an opinion of Lessee's independent tax counsel to the effect that a meritorious basis exists for such claim; and (iv) Lessee shall have indemnified the Trustor or Lessor in a manner satisfactory to it for any liability or loss which the Trustor or Lessor may incur as the result of contesting such claim and shall have agreed to pay the Trustor or Lessor from time to time on demand all costs and expenses which the Trustor or

Lessor may incur in connection with contesting such claim, including, without limitation, (A) reasonable attorneys', accountants' and investigatory fees and disbursements, (B) the amount of any interest or penalty which may ultimately be payable as the result of contesting such claim, and (C) in the event the Trustor or Lessor shall pay the tax claimed and then seek a refund and the final determination of such claim shall be adverse to the Trustor or Lessor, interest, at the rate prescribed by law with respect to the payment of the subject income tax deficiency, on the amount of the tax paid attributable to such loss, computed from the date of payment of such tax to the date Lessee shall reimburse the Trustor or Lessor for the payment of such tax in accordance with the terms hereof. If any such claim referred to above shall be made and Lessee shall have reasonably requested the Trustor or Lessor to contest such claim as above provided and shall have duly complied with all of the terms of this Section, Lessee's liability with respect to any such loss as a consequence of such claim shall become fixed and payable upon final determination of the Trustor's or Lessor's liability for the tax claimed and after giving effect to any refund obtained, together with interest thereon at the rate prescribed by law with respect to the payment of the subject income tax deficiency; but in all other cases the liability of Lessee shall become fixed at the time the Trustor or Lessor makes payment of the tax attributable to the tax benefit lost. In the case of any such claim referred to above, the Trustor or Lessor agrees promptly to notify Lessee in writing of such claim, agrees not to make payment of such claim for at least thirty (30) days after the giving of such notice and agrees to give to Lessee any relevant information relating to such claim which may be particularly within the knowledge of the Trustor or the Lessor, and otherwise to cooperate with Lessee in good faith in order to effectively contest any such claim and, if and to the extent agreeable to the Trustor or Lessor, to permit Lessee to participate in the proceeding relating to such claim; provided, however, that the failure of the Trustor or Lessor to give such notice shall not affect or reduce any of Lessee's obligations under this Section or effect a waiver or forfeiture of any indemnity herein provided.

(d) Payment, Survival, Benefit. All amounts payable by Lessee pursuant to this Section 12 shall be payable directly to the parties entitled to indemnification and, except as otherwise specifically provided herein, shall be paid within five (5) days after the presentation of an invoice therefor. The obligations of Lessee under this Section shall survive the termination of this Lease, so long as such obligations shall have arisen

out of or in connection with events or circumstances occurring during the Term or any renewal or extension thereof. All the indemnities contained in this Section are expressly made for the benefit of, and shall be enforceable by, Lessor, the Trust Estate and the Trustor.

(e) Lessee shall not be required under this Section 12 to make any indemnification to any party under this Section with respect to any matter, event or circumstance if, and to the extent only, that Lessee shall have theretofore indemnified such party with respect to the same matter, event or circumstance under Section 6.

13. Events of Default. Each of the following events shall constitute an Event of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default shall be made in payment of any part of Basic Rent when due and such default shall continue for five (5) days; or

(b) Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof; or

(c) any representation or warranty of the Lessee made in any of the Agreements or any certificate or document delivered pursuant thereto shall prove to be incorrect in any material respect when made; or

(d) Lessee shall fail to provide and maintain insurance as required by Section 9 hereof; or

(e) default shall be made in the observance or performance of any of the other covenants, conditions and agreements on the part of Lessee contained in any of the Agreements and such default shall continue for thirty (30) days after written notice from Lessor to Lessee specifying the default and demanding that the same be remedied; or

(f) Lessee shall be in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent under any lease agreement covering real or personal property, and the applicable grace period with respect thereto shall have expired and the obligation shall not be contested in good faith by appropriate legal proceedings; or

(g) Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or Lessee shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors, or Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or any answer seeking reorganization in a proceeding under any bankruptcy law (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessee in any such proceeding or Lessee shall by voluntary petition, answer or consent seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(h) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of Lessee, a receiver, trustee or liquidator of Lessee or of any substantial part of its property, or any substantial part of the property of Lessee shall be sequestered, and any such order, judgment or decree of appointment or sequestration shall remain in force undismissed, unstayed or unvacated for a period of ninety (90) days after the date of entry thereof; or

(i) a petition against Lessee in a proceeding under the federal bankruptcy laws or other insolvency laws (as now or hereafter in effect) shall be filed and shall not be withdrawn or dismissed within ninety (90) days thereafter, or if, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or untermiated for a period of ninety (90) days.

14. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the following with respect to all or any Units as Lessor in its discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(a) demand that Lessee, and Lessee shall upon the written demand of Lessor and at Lessee's expense, return promptly all Units to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, Section 11; or Lessor, at its option, may enter upon the premises where any Unit is located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability to Lessee for or by reason of such entry or taking of possession whether for the restoration of damage to property of Lessee caused by such taking or otherwise, provided, that Lessor shall be responsible for damages caused by or injuries resulting from Lessor's entry upon property of third parties;

(b) sell any Unit at public or private sale, as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle any Unit as Lessor in its sole discretion may determine, all free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto:

(c) except as stated in this paragraph (c), whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraphs (a) or (b) above with respect to any Unit, Lessor, by written notice to Lessee specifying a date (which shall be a Rental Payment Date and is hereinafter in this Section called the "payment date") not earlier than ten (10) days from the date of such notice, may demand that Lessee pay to Lessor and Lessee shall pay to Lessor, on the payment date, as liquidated damages for loss of the bargain and not as a penalty (in lieu of the Basic Rent for such Unit due after the payment date), any unpaid Rent for such Unit due prior to the payment date plus any unpaid Rent due on the payment date plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest on such amount at the rate of 10 7/8% per annum from the payment date to the date of actual payment): (i) an amount equal to the excess, if any, of the Casualty Value for such Unit, computed as of the payment date, over the aggregate fair market rental value (computed as hereafter in this Section provided) of such Unit for the remainder of the Term for such Unit after discounting such fair market rental value quarter-annually (effective on the Rental Payment Dates for such Unit) to present worth as of the payment date at the rate of 8% per annum; or (ii) an amount equal to the excess, if any, of the

Casualty Value for such Unit as of the payment date over the fair market sales value of such Unit (computed as hereafter in this Section provided) as of the payment date; provided, however, that if prior to the payment date Lessor shall, pursuant to paragraph (b) above, have sold such Unit and the amounts in respect of such Unit which Lessor might demand if it exercised its rights under paragraph (d) below is less than the amounts specified in or payable under any notice given under this paragraph (c), Lessee shall pay to Lessor the amounts computed under paragraph (d) below, and not the amounts specified in or payable under the notice given under this paragraph (c);

(d) in the event Lessor shall, pursuant to paragraph (b) above, have sold any Unit, Lessor, in lieu of exercising its rights under paragraph (c) above with respect to such Unit, may, if it shall so elect, demand that Lessee pay Lessor and Lessee shall pay to Lessor, as liquidated damages for loss of the bargain and not as a penalty (in lieu of the Basic Rent for such Unit due after the Rental Payment Date next following the date on which such sale occurs), any unpaid Rent for such Unit due on or prior to the Rental Payment Date next following such sale (including the Basic Rent due on such Rental Payment Date) plus the amount of any deficiency between the net proceeds of such sale and the Casualty Value of such Unit, computed as of such Rental Payment Date; such payment shall be due and payable on such Rental Payment Date together with interest at the rate of 10 7/8% per annum on the amount of any such deficiency from such Rental Payment Date until actual payment; or

(e) Lessor may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease as to any or all Units.

In addition, Lessee shall be liable, except as otherwise provided above, for any and all other amounts due hereunder before or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit in accordance with the terms of Section 11 or in placing such Unit in the condition as required by said Section. For the purpose of paragraph (c) above, the "aggregate fair

market rental value" or the "fair market sales value" of any Unit shall be an appraisal value mutually agreed to by two (2) recognized independent railroad appraisers, one chosen by Lessor and one chosen by Lessee, or, if such appraisers cannot agree on the amount of such appraisal, arrived at by a third independent appraiser chosen by the mutual consent of such two appraisers. If either party shall fail to appoint an appraiser within thirty (30) days after notice from the other party of the appointment of its appraiser or if such two appraisers cannot agree on the amount of such appraisal and fail to appoint a third appraiser within thirty (30) days after the appointment of the second appraiser, then either party may apply to any court having jurisdiction to make such appointment. Lessee shall bear the cost of all such appraisals. At any sale of Units pursuant to this Section, Lessor or any Participant may bid for and purchase such property. Except as otherwise expressly provided above, no remedy referred to in this Section is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies. Lessor may waive an Event of Default or the consequences thereof, but no express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Unit in mitigation of Lessor's damages as set forth in this Section or which may otherwise limit or modify any of Lessor's rights or remedies under this Section.

15. Recording. Lessee will cause this Lease and the Trust Agreement to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit, record (and will refile, re-register, deposit and redeposit or re-record whenever required) any and all further instruments required by law or reasonably requested by Lessor for the purpose of proper protection, to its satisfaction, of Lessor's or any Participant's interests in the Units, or for the purpose of carrying out the intention of this Lease and the Trust Agreement; and Lessee will promptly furnish to Lessor evidences of all such filings, registering, depositing or recording, and

an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor. In order to secure the indebtedness evidenced by the Equipment Trust Certificates, Provident National Bank, a national banking association, as Trustee for the Trustor, has granted to Provident National Bank, a national banking association, as Trustee for the Loan Participants, for the benefit of the holders of the Equipment Trust Certificates, a security interest in the Trust Estate (other than indemnities payable to or for the benefit of the Trustor, the Lessor or the Trust Estate pursuant to Section 12 (a) hereof). To the extent, if any, that this Lease of Railroad Equipment constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in this Lease of Railroad Equipment may be created through the transfer or possession of any counterpart other than the original counterpart, which shall be identified as the counterpart containing the receipt therefor executed by Provident National Bank, as Trustee, on the signature page hereof.

16. Purchase and Renewal Options. Unless an Event of notice, or both, would become an Event of Default) shall notice delivered to Lessor not less than six (6) months prior to the end of the Term or any extended term hereof, as the case may be, elect (a) to extend the term of this Lease in respect of all, but not fewer than all, of the Units then covered by this Lease, on a year-to-year basis, in each case commencing on the scheduled expiration of the preceding term of this Lease and at a "Fair Market Rental", the rental for any renewal term to be payable in two (2) semi-annual payments commencing six (6) months after the final semi-annual rental payment for the preceding term is due or (b) to purchase all, but not fewer than all, of the Units covered by this Lease at the end of the Term of this Lease for a purchase price equal to the "Fair Market Value" of such Units as of the end of the Term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If on or before four (4) months prior to the expiration of the term of this Lease, Lessor and Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such value shall be determined in accordance with the foregoing definition by an Appraiser.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If on or before four (4) months prior to the expiration of the Term of this Lease, Lessor and Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such value shall be determined in accordance with the foregoing definition by an Appraiser.

The term "Appraiser" as used in this Section 16 shall mean such independent appraiser as Lessor and Lessee may mutually agree upon, or failing such agreement, a panel of three (3) independent appraisers, one of whom shall be selected by Lessor, the second by Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of thirty (30) days following appointment, and shall promptly communicate such determination in writing to Lessor and Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraisers shall be borne by Lessee.

Upon payment of the purchase price, Lessor shall upon request of Lessee execute and deliver to Lessee, or to Lessee's assignee or nominee, a bill of sale, without warranty or recourse whatsoever, for the Units sold.

17. Merger. Lessee may not sell or convey its property and assets as an entirety or substantially as an entirety to, or consolidate or merge with or into, any other corporation, unless (i) the successor corporation shall be a corporation incorporated under the laws of the United States of America or of any state or states thereof, (ii) upon any such sale, conveyance, consolidation or merger, the successor corporation shall expressly assume the due and punctual payment of Basic Rent, all Supplemental Rent, and Casualty Value and Termination Value payments in accordance with the terms of this Lease, as well as the due and punctual performance and observance of all other terms, covenants and conditions of this Lease to be kept and performed by Lessee, (iii) after giving effect to any such sale, conveyance, consolidation or merger no Event of Default and no event which with notice or lapse of time or both would constitute an Event of Default shall have occurred and be continuing and (iv) Lessor shall

be promptly notified of such sale, conveyance, merger or consolidation. Any such purchasing or successor corporation shall be substituted for Pennsylvania Power & Light Company as Lessee hereunder.

18. Lessor's Right to Perform. If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the rate of 10 7/8% per annum, shall be deemed Supplemental Rent, payable by Lessee upon demand.

19. Notices. All notices required under the terms and provisions hereof shall be in writing, and any such notice shall become effective when deposited in the United States mail, certified mail, postage prepaid, addressed (i) if to the Lessee, at Two North Ninth Street, Allentown, Pennsylvania 18101, Attention: Treasurer, or at such other address as Lessee shall from time to time designate in writing to Lessor, (ii) if to Lessor, at 17th and Chestnut Streets, Philadelphia, Pennsylvania 19103, Attention: Corporate Trust Department, or at such other address as Lessor shall from time to time designate in writing to Lessee, or (iii) if to any Participant at its address set forth in the Finance Agreement, or at such other address as such Participant shall from time to time designate in writing to Lessor and Lessee.

20. Net, Non-Cancellable Lease. All Rent shall be paid by Lessee in immediately available funds to Lessor at its office at 17th and Chestnut Streets, Philadelphia, Pennsylvania 19103, Attention: Corporate Trust Department, or to such address as Lessor may otherwise direct. This Lease is a net, non-cancellable lease, Lessee's obligation to pay all Rent payable hereunder shall be absolute and unconditional and shall not be affected by any circumstance and Lessee shall not be entitled to any abatement of Rent, reduction thereof or set-off against Rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of Lessee against Lessor, the Builder or any Participant under the Agreements or under any document or transaction or for any other cause whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of Lessor

or Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that all Rent payable by Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each payment of Rent made by Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment from Lessor for any reason whatsoever.

21. Successor Lessor. Lessee agrees that in the case of the appointment of any successor Trustee pursuant to the terms of the Trust Agreement, such successor Trustee shall, upon written notice by such successor Trustee to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor and the owner of the Units for all purposes hereof, without the necessity of any consent or approval by Lessee and without in any way altering the terms of this Lease or Lessee's obligations hereunder. One such appointment and designation of a successor Trustee shall not exhaust the right to appoint and designate further successor Trustees pursuant to the Trust Agreement, but such right may be exercised repeatedly as long as this Lease shall be in effect.

22. Miscellaneous. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To

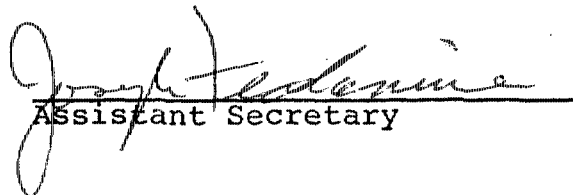
the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. Any reference herein to any person shall be deemed to include a reference to the person's successors and assigns, including any subsequent holder of a Certificate. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in any Unit except as a lessee only. The captions in this Lease are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. This Lease shall in all respects be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, including all matters of construction, validity and performance; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

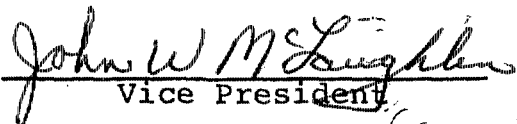
23. Execution. This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Although this Lease is dated as of June 2, 1975, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

ATTEST:

PROVIDENT NATIONAL BANK,
as Trustee



Assistant Secretary

By: 
Vice President
Lessor

ATTEST:

PENNSYLVANIA POWER & LIGHT COMPANY


Assistant Secretary

By: 
Vice President
Lessee

NOTICE: THIS LEASE OF RAILROAD EQUIPMENT AND ALL RENT AND OTHER SUMS DUE AND TO BECOME DUE HEREUNDER (EXCEPT FOR INDEMNITIES PAYABLE TO OR FOR THE BENEFIT OF THE TRUSTOR, THE LESSOR OR THE TRUST ESTATE PURSUANT TO SECTION 12(a) HEREOF) ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF PROVIDENT NATIONAL BANK, A NATIONAL BANKING ASSOCIATION, AS TRUSTEE FOR THE LOAN PARTICIPANTS, FOR THE BENEFIT OF THE HOLDERS OF THE EQUIPMENT TRUST CERTIFICATES ISSUED UNDER THE TRUST AGREEMENT.

COMMONWEALTH OF PENNSYLVANIA :

: SS:

COUNTY OF PHILADELPHIA :

On this 3rd day of July, 1975, before me personally appeared John W. McLaughlin, to me personally known, who, being by me duly sworn, says that he is a Vice President of Provident National Bank, that the seal affixed to the foregoing instrument is the corporate seal of said association, that said instrument was signed and sealed on behalf of said association, by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said association. I hereby certify that I am not a director, officer or stockholder of said association.

Maria Spuntz
Notary Public

My Commission Expires: 9/9/77

COMMONWEALTH OF PENNSYLVANIA :

: SS:

COUNTY OF LEHIGH :

On this 3rd day of July, 1975, before me personally appeared R.R. Fortune, to me personally known, who, being by me duly sworn, says that he is a Vice President of Pennsylvania Power & Light Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation, by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

David M. Landes
Notary Public

My Commission Expires: 3/15/76

ANNEX A

<u>Description</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>	<u>Purchase Price/Unit</u>
100-Ton Steel Triple Hopper Coal Cars in accordance with Pennsylvania Power & Light Company specification dated November 19, 1974	153	PPLX 124, 163, 174, 185, 191, 310-313, 316, 334, 337, 340, 341, 351, 366, 374, 377, 381, 383, 389, 400, 407, 412, 413, 548, 565, 639, 654, 675, 677, 681, 686, 687, 688, 701, 704, 705, 715, 725, 745, 747, 752, 760, 762, 771, 774, 887-991.	\$29,197.04

All units will be delivered at Johnstown,
Pennsylvania on or about July 8, 1975.

* Subject to escalation as provided in the Purchase Order and
to revision pursuant to Section 1 of the Lease.

ANNEX B

CERTIFICATE OF DELIVERY

Under Lease of Railroad Equipment dated as of
June 2, 1975.

The undersigned, being the duly authorized
representative of PROVIDENT NATIONAL BANK, Trustee (the
"Lessor") and PENNSYLVANIA POWER & LIGHT COMPANY (the
"Lessee") hereby CERTIFIES that the following units of rail-
road equipment, referred to in the Lease of Railroad
Equipment (the "Lease") between the Lessor and the Lessee,
dated as of June 2, 1975,

100-TON STEEL TRIPLE HOPPER
COAL CARS

<u>Quantity</u>	<u>PP&L's Identifying Numbers</u>	<u>Acceptance Date</u>
153	PPLX, 124, 163, 174, 185, 191, 310-313, 316, 334, 337, 340, 341, 351, 366, 374, 377, 381, 383, 389, 400, 407, 412, 413, 548, 565, 639, 654, 675, 677, 681, 686, 687, 688, 701, 705, 715, 725, 745, 747, 752, 760- 762, 771, 774, 887-991.	July , 1975

have been duly delivered to the Lessor in good order and duly
inspected and accepted by the undersigned on the date shown
above on behalf of the Lessor, and have thereby been duly de-
livered by the Lessor to the Lessee and have been duly inspected
and accepted by the undersigned on said date on behalf of the
Lessee as conforming in all respects to the requirements and
provisions of the Lease.

The undersigned further CERTIFIES that at the time of its delivery to the Lessor and the Lessee each unit of railroad equipment covered by this Certificate was properly marked on each side thereof with the following legend:

PROVIDENT NATIONAL BANK:
TRUSTEE, OWNER-LESSOR

Duly Authorized Representative of
PROVIDENT NATIONAL BANK, Trustee, and
PENNSYLVANIA POWER & LIGHT COMPANY

SCHEDULE I
CASUALTY VALUE

<u>Rental Payment Date</u>	<u>Percentage</u>
1	
2	107.34
3	106.55
3	106.83
4	106.92
5	106.84
6	106.59
7	106.18
8	105.61
9	104.89
10	104.01
11	102.90
12	101.26
13	99.44
14	97.44
15	95.32
16	93.09
17	90.75
18	88.30
19	85.72
20	83.07
21	80.35
22	77.55
23	74.68
24	71.73
25	68.70
26	65.61
27	62.46
28	59.24
29	55.95
30	52.59
31	49.16
32	45.66
33	42.08
34	38.44
35	34.71
36	30.91
37	27.04
38	23.10
39	19.09
40	15.00

THEREAFTER

SCHEDULE II

TERMINATION VALUE

Rental Payment <u>Date</u>	<u>Percentage</u>
20	80.50
21	77.42
22	74.26
23	71.02
24	67.69
25	64.31
26	60.87
27	57.35
28	53.77
29	50.12
30	46.39
31	42.59
32	38.72
33	34.77
34	30.75
35	26.65
36	22.47
37	18.21
38	13.88
39	9.48
40	5.00
THEREAFTER	